

LOGAN CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2006

LOGAN CITY SCHOOL DISTRICT
Year Ended June 30, 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Logan City School District
Logan, Utah 84321

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Logan City School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express our opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each discretely presented component unit, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the

scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and the budgetary comparison information on pages 4 through 13 and 45 through 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, and is not a required part of the basic financial statements of the District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



JONES SIMKINS, P.C.
November 7, 2006

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LOGAN CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2006

As management of the Logan City School District (the District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2006.

Financial Highlights

- The District continues to maintain fund balances and reserves, which continue to provide a sound financial position. Districts are funded on a per pupil basis for the largest portion of their operations. The District is experiencing escalating costs of utilities, employee benefits, student transportation, and unfunded state and federal mandates.
- The District is reporting \$3,717,394 in total General Fund balance, which is an increase of \$381,556 from the prior fiscal year. The total fund balance consists of \$554,068 in reserved, \$2,546,082 in designated, and \$617,244 in undesignated fund balances.
- The District total general fund balance improved to 12.49% of budgeted expenditures. This is the second highest level achieved in the past 18 years. This was accomplished in spite of a loss of 60 students and the associated funding.
- The District was able to spend approximately \$800,000 of capital project funds on several large projects which further enhances the District's excellent facilities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. A comparative presentation of government-wide information is also included in this discussion and analysis. The purpose of this narrative is to simplify and clarify the following financial statements.

Government-wide financial statements: *The government-wide financial statements* are designed to provide readers with a broad overview of the District's financial condition, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the assets and liabilities of the District, with the difference between the two reported as *net assets*. In future years, increases or decreases in net assets may serve as one indicator of whether the overall financial position of the District is improving or deteriorating.

LOGAN CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2006

The *statement of activities* presents information showing how the net assets of the District changed during this fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, the financial statements are presented using the accrual method of accounting and revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and delinquent property taxes and employees earned, but unused, paid leave).

The District's government-wide financial statements also present the net assets and a statement of activities for the Logan City School District Foundation (the Foundation). The Foundation is being presented as a discrete component unit in accordance with GASB Statement No. 39 "*Determining Whether Certain Organizations Are Component Units*".

Fund financial statements: A *fund* is a group of related accounts that is used to maintain control over resources that have been designated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: *governmental funds* and *fiduciary funds*.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities*. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual *governmental funds*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the remaining two governmental funds, the Non K-12, and Food Service Funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* later in this report.

LOGAN CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2006

The District adopts an annual budget, as legally required, for each governmental fund. Budgetary comparison statements have been provided as supplementary information to demonstrate compliance with these budgets.

Fiduciary funds: *Fiduciary funds* are used to account for resources held for the benefit of groups outside the central operations and therefore completely separate from the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not generally available for use in the general operations of the District. The District uses an agency fund to account for resources collected from and held for student activities and groups at the secondary schools only.

Notes to the financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information: The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements located later in this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government entity's financial condition. The District's assets exceeded liabilities by \$36,193,889 at the close of the fiscal year. This indicates no significant change in the District's financial condition when compared to the prior year.

LOGAN CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2006

LOGAN CITY SCHOOL DISTRICT'S NET ASSETS

		<u>Governmental Activities</u>	
		<u>2006</u>	<u>2005</u>
Current and other assets	\$	21,944,121	21,252,243
Capital assets		<u>51,872,227</u>	<u>53,225,907</u>
Total assets		<u>73,816,348</u>	<u>74,478,150</u>
Other liabilities		14,968,230	14,721,101
Long-term liabilities outstanding		<u>22,654,229</u>	<u>23,563,219</u>
Total liabilities		<u>37,622,459</u>	<u>38,284,320</u>
Net assets:			
Invested in capital assets, net of related debt		29,310,103	29,761,878
Restricted		894,311	829,361
Unrestricted		<u>5,989,475</u>	<u>5,602,591</u>
Total net assets	\$	<u>36,193,889</u>	<u>36,193,830</u>

The largest portion of the District's net assets (81%) reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds payable) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for liquidation and future operations. Since the capital assets themselves cannot be used to satisfy these liabilities, the District must obtain these resources from the annual voter-approved property taxes assessed solely for the purpose of meeting the requirements previously established in the outstanding bond repayment schedule.

An additional portion of the District's net assets (2%) represents resources that are subject to restrictions agreed upon when such funds were applied for and received. The remaining balance of *unrestricted net assets* (17%) may be used to meet the District's ongoing obligations to students, employees, and all other operational expenditures. A portion of the unrestricted net asset amount has been designated for a) an undistributed reserve, b) required programs without sufficient revenues, c) death benefit obligations, and d) future land purchases.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for the District as a whole, as well as for its separate governmental activities. The same situation has been true for all prior fiscal years.

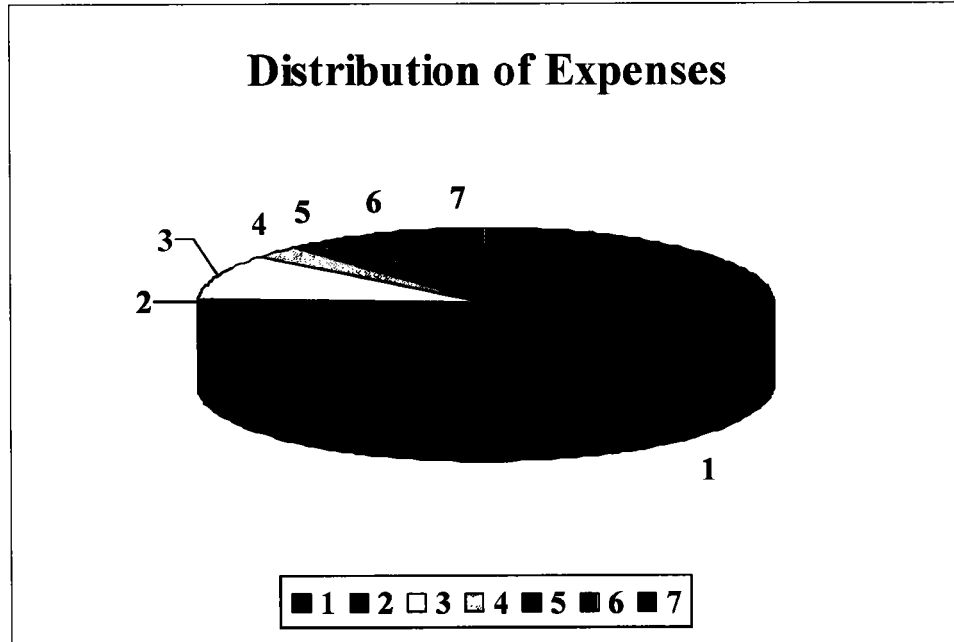
LOGAN CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2006

LOGAN CITY SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 822,854	787,996
Operating grants and contributions	5,441,814	5,575,594
Capital grants and contributions	-	-
General revenues:		
Property taxes	11,477,797	11,035,996
Federal and state aid not restricted to specific purposes	20,672,846	20,072,533
Earnings on investments	415,579	272,143
Miscellaneous	<u>188,975</u>	<u>382,019</u>
Total revenues	<u>39,019,865</u>	<u>38,126,281</u>
Expenses:		
Instructional services	25,214,625	25,245,225
Supporting services:		
Students	586,153	564,465
Instructional support	1,302,533	1,259,829
District administration	373,660	352,050
School administration	1,763,269	1,700,142
Business administration	298,578	266,832
Operation and maintenance of facilities	3,958,840	4,308,158
Transportation	996,233	839,247
Non-instructional	1,230,422	1,075,793
School lunch services	2,314,133	2,295,471
Interest on long-term liabilities	<u>981,360</u>	<u>1,005,744</u>
Total expenses	<u>39,019,806</u>	<u>38,912,956</u>
Increase in net assets	59	(786,675)
Net assets – beginning	<u>36,193,830</u>	<u>36,980,505</u>
Net assets – ending	\$ <u>36,193,889</u>	<u>36,193,830</u>

LOGAN CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2006



- 1 Instructional services
- 2 Business administration
- 3 Operation and maintenance of facilities
- 4 Transportation
- 5 Non-instructional
- 6 School Lunch Services
- 7 Interest

The largest source of revenue continues to be from annual legislative appropriations to the state minimum school program administered by the Utah State Board of Education. This revenue source is based on WPU's (weighted pupil units) distributed by formula to districts based on an amount established by the state legislature (\$2,280 per WPU for fiscal year 2006) each year. The value of the WPU was increased 4.5%, from \$2,182 in the prior year.

Instructional services represent the largest dollar expenditure of District operations. Instruction and other related direct instructional support services represent 75% of the District's total expenditures, which was the same as the previous year.

LOGAN CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2006

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financial position. The unreserved fund balance is divided between designated and undesignated balances. The District has designated portions of the unreserved fund balance as follows:

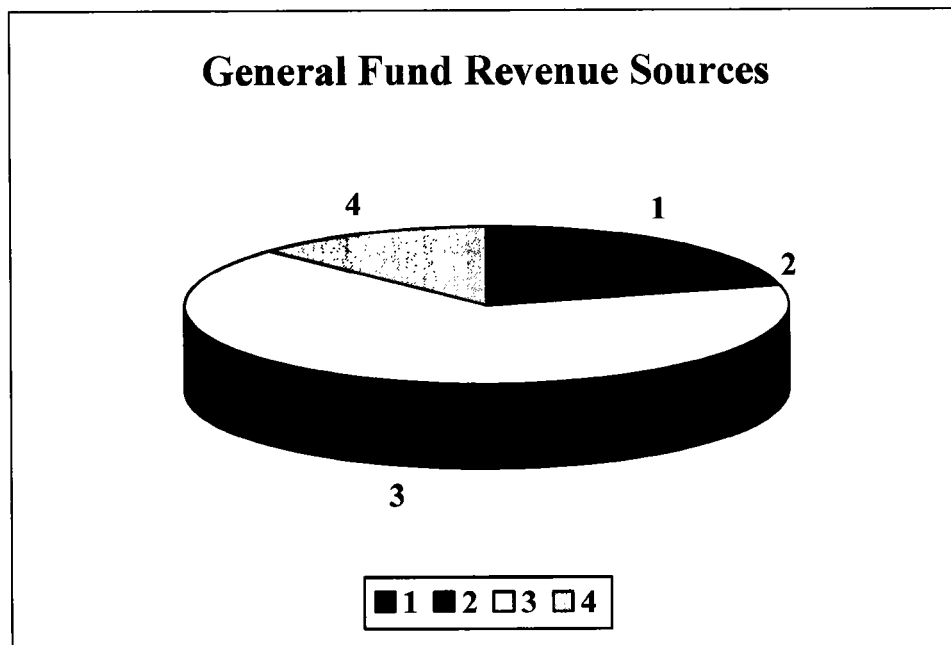
- *Designation for undistributed reserve of \$800,000:* Utah law allows districts to establish an undistributed reserve within the general fund. The law limits this reserve to an amount not to exceed 5% of the general fund budget, or approximately \$1,500,000 for the District at the present time. This reserve of \$800,000 represents an estimated 53% of this legal limit. These funds are set aside, by formal board action, for future contingencies or possible future revenue shortfalls. This reserve is not available, by legal definition, for contract salaries. The maintenance of sufficient total reserves is a major consideration in maintaining the District's exemplary bond rating, currently Aa3, as awarded by Moody's Investor Service.
- *Designation for programs of \$2,054,287:* Net assets within the general fund which are designated to assist certain required programs or services where an annual operating deficit occurs. As mentioned before, required but unfunded state & federal mandates are a major factor.
- *Designation for death benefit insurance of \$100,000:* The District operates a self-funded, employee matching life insurance benefit for eligible employees. This balance is set-aside to provide the District's matching share of this life insurance benefit in the future, as needed.
- *Designation for site purchase of \$300,000:* The Board has designated funds received from the previous sale of District owned property be set aside in the Capital Projects Fund for the future purchase of another potential school site.

Undesignated balances in the general fund are required by state law to be appropriated in the following year's initial budget. Fund balances of the capital projects, debt service, and other governmental funds are designated by State law to be spent for the purpose of the fund.

LOGAN CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2006

The District operates five governmental type funds. A description of each fund and its significant activities follows.

- *The General Fund:* The general fund is the chief operating fund of the District. At the end of the current fiscal year, the undesignated fund balance was \$617,244, while the total fund balance was \$3,717,394. The undesignated fund balance decreased by \$142,913, while the total fund balance increased by \$381,556 during this fiscal year. This increase in total fund balance is noteworthy in light of continued small increases in revenues and the large increases being experienced for expenditures as previously discussed.



- 1 Property Taxes
- 2 Other Revenues
- 3 State Funds
- 4 Federal Funds

- *Debt Service Fund:* The debt service fund has a fund balance of \$193,037, all of which is restricted, legally through bond covenants, for meeting the scheduled annual payments of principal and interest on the District's outstanding general obligation bonds. This is an increase of \$46,265 from the previous year and is budgeted annually to maintain a safe, sound but conservative carryover from year to year which must remain for debt service fund purposes, namely the retirement of outstanding debt.

LOGAN CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2006

- ▶ *Capital Projects Fund:* The capital projects fund has a fund balance of \$1,668,450, all of which is earmarked for the maintenance and repair of existing facilities, equipment, and purchase of certain instructional supplies and equipment as legally allowed. This is an increase of \$199,440 from the previous year and is related to the difference between actual and anticipated project costs.
- ▶ *School Food Service Fund:* The school food service fund has a fund balance of \$461,040 and is earmarked for the future operational costs of the school lunch program. This represents a decrease of \$17,919 over the prior year and is an indication of the District's conservative approach and efforts to keep lunch prices as low as possible.
- ▶ *Non K-12 Fund:* The Non-K12 fund has a fund balance of \$615,696 of which \$555,411 is designated for specific programs or activities as required, with the remaining portion of \$60,285 being undesignated. This amounts to a total decrease of \$152,910 from the prior year. This is mainly a result of increased costs in the operation of the joint City and District recreation center and the rapidly increasing costs of extra-curricular activities including transportation.

General Fund Budgetary Highlights

The difference between the original budget and the final amended and adopted budget for the general fund was (\$157,401). Budgeted revenues increased \$831,431 and budgeted expenses increased \$988,832 which was primarily from new programs awarded and received through federal and state grants during the year.

During the fiscal year, actual revenues to budgeted revenues had a favorable variance of \$193,119; and in addition, actual expenses to budgeted expenses had a favorable variance of \$345,838. Budget variances are largely a result of the timing, awarding and receipt of federal and state program revenues, and related expenditures which are unknown at the time the budget is originally adopted.

LOGAN CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2006

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets is \$51,872,227 net of accumulated depreciation. This compares to the previous year amount of \$53,225,907. The investment in capital assets includes land, buildings, equipment, infrastructure and its investment in the Logan Recreation Center which is jointly operated with Logan City, a municipality.

Long-Term Debt: At the end of the current fiscal year, the District had total bonded debt outstanding of \$21,670,000, which represents approximately 23% of the District's legal debt limit. This is down from the prior year of \$22,915,000. The District reduced this total bonded debt by \$1,245,000 through its budgeting process, the receipt of requested property tax proceeds, and the timely payment of its scheduled annual principal and interest payment.

Other Significant Matters

The District continues to be concerned with enrollment projections. As mentioned earlier, the District lost the funding for 60 students. The total loss of state revenue, when all funding affected was totaled represented a significant loss of revenue.

The District continues to experience enrollment growth on the west side of the city and a decline in enrollment on the east side of the City. Because the major funding for the operations of the District is received on a per pupil basis, additional challenges arise as budgets are developed and resources are distributed across all instructional programs. The District's operational budget, as noted earlier, has received small increases in funding while experiencing increasing costs of operation.

Under the leadership of a new superintendent, the District has refocused efforts to study and research all available options to provide the most efficient programs to students. Providing efficient and effective instructional programs requires the support and cooperation of staff members, parents, and patrons in the District.

LOGAN CITY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2006

Requests for Information

This financial report is designed to provide a general overview of the Logan City School District's financial operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of Paul G. Jensen, Business Administrator, Logan City School District, 101 West Center, Logan, Utah, 84321.

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LOGAN CITY SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS

LOGAN CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2006

<u>Assets</u>	<u>Primary Government</u>		<u>Component Unit Foundation</u>
	<u>Governmental Activities</u>	<u>Total</u>	
Cash and cash equivalents	\$ -	-	248,265
Equity in pooled cash and investments	9,299,137	9,299,137	-
Investments	-	-	61,283
Receivables:			
Taxes	11,019,911	11,019,911	-
Intergovernmental	1,213,086	1,213,086	-
Prepaid expenses	223,990	223,990	-
Inventory	95,892	95,892	-
Bond issuance costs, net	92,105	92,105	-
Capital assets:			
Land	3,246,875	3,246,875	-
Other capital assets, net of depreciation	48,625,352	48,625,352	-
Total assets	<u>73,816,348</u>	<u>73,816,348</u>	<u>309,548</u>
<u>Liabilities</u>			
Accounts payable and accrued expenses	2,178,658	2,178,658	151
Deferred revenue	12,789,572	12,789,572	-
Noncurrent liabilities, net:			
Due within one year	1,859,403	1,859,403	-
Due in more than one year	20,794,826	20,794,826	-
Total liabilities	<u>37,622,459</u>	<u>37,622,459</u>	<u>151</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	29,310,103	29,310,103	-
Restricted for:			
Debt service	193,037	193,037	-
Program expenditures	701,274	701,274	-
Other purposes	-	-	188,681
Unrestricted	5,989,475	5,989,475	120,716
Total net assets	<u>\$ 36,193,889</u>	<u>36,193,889</u>	<u>309,397</u>

The accompanying notes are an integral part of these financial statements.

LOGAN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Component Unit
					Governmental Activities	Foundation
Primary government activities:						
Instruction	\$ 25,214,625	140,092	4,161,977	-	(20,912,556)	-
Supporting services:						
Students	586,153	-	-	-	(586,153)	-
Instructional staff	1,302,533	-	-	-	(1,302,533)	-
District administration	373,660	-	-	-	(373,660)	-
School administration	1,763,269	-	-	-	(1,763,269)	-
Business administration	298,578	-	-	-	(298,578)	-
Operation and maintenance of facilities	3,958,840	-	-	-	(3,958,840)	-
Student transportation	996,233	-	-	-	(996,233)	-
Non-instructional/community services	1,230,422	-	62,028	-	(1,168,394)	-
Food services	2,314,133	682,762	1,217,809	-	(413,562)	-
Interest and fiscal charges	981,360	-	-	-	(981,360)	-
Total primary government	\$ 39,019,806	822,854	5,441,814	-	(32,755,138)	-
Component Unit - Foundation	\$ 292,195	-	249,924	-	-	(42,271)
General revenues:						
Property taxes					11,477,797	-
Federal and state revenues and contributions not restricted to specific purposes					20,672,846	98,387
Earnings on investments					415,579	9,427
Miscellaneous					188,975	-
Total general revenues					32,755,197	107,814
Change in net assets					59	65,543
Net assets - beginning					36,193,830	243,854
Net assets - ending					\$ 36,193,889	309,397

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2006

<u>Assets</u>	<u>General (Maintenance & Operation)</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Equity in pooled cash and investments	\$ 5,292,858	573,043	2,356,069	1,077,167	9,299,137
Receivables:					
Taxes	4,919,848	2,097,357	3,332,285	670,421	11,019,911
Intergovernmental	1,102,209	-	-	110,877	1,213,086
Prepaid expenses	223,990	-	-	-	223,990
Inventory	-	-	-	95,892	95,892
Total assets	\$ 11,538,905	2,670,400	5,688,354	1,954,357	21,852,016
<u>Liabilities</u>					
Accounts payable	\$ 2,011,292	-	82,857	84,508	2,178,657
Deferred revenue	5,810,219	2,477,363	3,937,047	793,113	13,017,742
Total liabilities	7,821,511	2,477,363	4,019,904	877,621	15,196,399
<u>Fund balances:</u>					
Reserved for:					
Debt service	-	193,037	-	-	193,037
Inventory	-	-	-	95,892	95,892
Program expenditures	554,068	-	-	147,206	701,274
Unreserved:					
Designated for:					
Undistributed reserve	800,000	-	-	-	800,000
Programs	1,646,082	-	-	408,205	2,054,287
Site purchase	-	-	300,000	-	300,000
Death benefit insurance	100,000	-	-	-	100,000
Undesignated	617,244	-	1,368,450	425,433	2,411,127
Total fund balances	3,717,394	193,037	1,668,450	1,076,736	6,655,617
Total liabilities and fund balance	\$ 11,538,905	2,670,400	5,688,354	1,954,357	21,852,016

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balance - governmental funds \$ 6,655,617

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Capital assets including infrastructure are capitalized and depreciated over their estimated useful life in the statement of net assets. The cost of the estimated historical cost of the assets is \$75,992,641 and the accumulated depreciation is \$24,120,414. 51,872,227

Some of the District's property taxes (delinquent taxes) will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded in the funds. Receivables and revenues are recorded on the accrual basis in the statement of activities. 228,169

Long-term liabilities, including outstanding general obligation bonds and post employment benefits, are not due and payable in the current period and therefore are not reported as liabilities in the funds. All liabilities - both current and long-term - are reported in the statement of net assets.

Balances at year-end are:

Bonds payable	\$ (21,670,000)	
Issuance costs	92,105	
Unamortized premiums	(279,129)	
Deferred amounts on refundings	704,288	
Early retirement payable	(1,409,388)	(22,562,124)

Total net assets - governmental activities \$ 36,193,889

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General (Maintenance and Operation)	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local revenues:					
Taxes	\$ 5,285,299	2,208,758	3,406,676	581,665	11,482,398
Tuition	75,150	-	-	64,943	140,093
Earnings on investments	415,579	-	-	-	415,579
Food service sales	-	-	-	640,966	640,966
Local government units	478,693	-	-	-	478,693
Other local revenue	136,007	-	52,968	41,795	230,770
State grants-in-aid	19,871,038	-	-	594,440	20,465,478
Federal sources	3,890,652	-	-	1,279,837	5,170,489
Total revenues	30,152,418	2,208,758	3,459,644	3,203,646	39,024,466
Expenditures:					
Instruction	22,249,453	-	1,032,512	-	23,281,965
Support services:					
Students	549,554	-	-	-	549,554
Instructional staff	1,197,041	-	-	-	1,197,041
District administration	330,602	-	-	-	330,602
School administration	1,679,306	-	-	-	1,679,306
Business administration	289,967	-	-	-	289,967
Operation and maintenance of facilities	2,478,706	-	313,844	-	2,792,550
Student transportation	996,233	-	-	-	996,233
Non-instructional/community services	-	-	-	1,202,434	1,202,434
Food services	-	-	-	2,172,041	2,172,041
Acquisition, construction and maintenance	-	-	1,913,848	-	1,913,848
Debt service:					
Redemption of principal	-	1,245,000	-	-	1,245,000
Interest and fiscal charges	-	917,493	-	-	917,493
Total expenditures	29,770,862	2,162,493	3,260,204	3,374,475	38,568,034
Net change in fund balances	381,556	46,265	199,440	(170,829)	456,432
Fund balance at beginning of year	3,335,838	146,772	1,469,010	1,247,565	6,199,185
Fund balance at end of year	\$ 3,717,394	193,037	1,668,450	1,076,736	6,655,617

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ 456,432

Amounts reported for governmental activities in the statement of activities are different because:

Capital acquisitions and improvements are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital acquisitions and improvements	799,228
Depreciation expense	(2,152,908)
	<u>(1,353,680)</u>

Bond proceeds are reported in governmental funds as an other financing source, while repayment of bond principal is reported as an expenditure. In the statement of net assets, issuing debt increases liabilities and the repayment of principal reduces the liability. Also, government funds report issuance costs and premiums and other financing sources and uses, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due.

Amortization of deferred amounts on refundings	(78,254)
Amortization of bond premium	21,472
Amortization of bond issuance costs	(7,085)
Payments of principal on outstanding bonds	1,245,000
	<u>1,181,133</u>

In the governmental funds, post employment benefits are recorded when paid. In the statement of net assets, the amount due for future periods is recorded as a liability. During the year, post-employment benefits increased \$279,226. (279,226)

Property taxes levied in prior years but not yet collected are not recognized in the governmental funds because they are not available. They are, however, recorded as revenues in the statement of activities. Delinquent taxes receivable decreased this year. (4,600)

Change in net assets of governmental activities	\$ <u>59</u>
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The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT
STATEMENT OF AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2006

	<u>School Agency Fund</u>
<u>Assets</u>	
Cash	\$ 114,904
Equity in pooled cash and investments	<u>177,229</u>
Total assets	\$ <u>292,133</u>
<u>Liabilities</u>	
Unallocated student funds	\$ 127,238
Due to student groups	<u>164,895</u>
Total liabilities	\$ <u>292,133</u>

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Logan City School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. Reporting Entity

Primary Government

The Logan City School District Board of Education is the basic level of government that has oversight responsibility and control over all activities related to public school education in the City of Logan, Utah. The Board is comprised of five elected individuals and is the primary governing authority for the District. The Board is responsible for setting district policies, appointing the superintendent and the business administrator, and approving budgets and all related education matters.

The District is not included in any other reporting entity and is defined as an independent school district. The District is not a component unit of any other primary government. The Board has the authority to levy taxes, adopt budgets, and issue debt. The District receives funding from local, state, and federal sources and must comply with the requirements of these funding sources.

Discrete Component Unit

The Logan City School District Foundation (the Foundation) is a non-profit 501(c)(3) corporation organized for the purpose of seeking supplemental resources for education purposes. The Foundation receives support from the District and is fiscally accountable to the District for its operations. The Foundation qualifies to be reported as a discrete component unit of the District in accordance with the requirements of GASB Statement No. 39 "*Determining Whether Certain Organizations Are Component Units*". The Foundation does not issue separate financial statements.

Undivided Interest in Joint Operation

The Logan Recreation Center is jointly operated through an agreement between the District and the City of Logan. Both the District and the City have recorded their portion or interest in the recreation center as a capital asset. Operating expenses are shared equally and the City has assumed fiduciary responsibility for the Center.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the District and the Foundation.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function.

Property taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, and post-employment healthcare benefits, are recorded only when payment is due.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

Property taxes, fees-in-lieu, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes and fees-in-lieu associated with future periods are deferred. All other revenue items are considered to be measurable and available only when the District receives cash.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

The District's policy is to not allocate indirect costs for financial reporting purposes to functional areas such as instructional services.

The District's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions, or specific purposes.

The focus of the fund financial statements is *major* funds. Defined based on a numerical formula, these funds generally represent the government's most important funds.

The District reports the following major governmental funds:

- The Maintenance and Operation Fund (general fund) is the District's primary operating fund. It accounts for resources devoted to financing the general services of the District. The fund is charged with all costs of operating the District for which a separate fund has not been established.
- The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest and related costs of outstanding general obligation debt.
- The Capital Projects Fund accounts for the financial resources used for the acquisition, construction, remodeling, maintenance, and repair of capital facilities and equipment by the District. The State Statutes allow an additional "10% of Basic" tax rate for debt service, the construction or remodeling of school buildings or the purchase of school sites, buses, equipment, textbooks, and supplies. The State Statutes also allow a tax rate of up to .0002 to maintain the District's facilities.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

Additionally the District reports the following funds:

- The Non K-12 Program Fund (a special revenue fund) is used to account for the proceeds of specific revenue sources from Non K-12 program activities. This fund's expenditures are legally restricted for specified purposes.
- The School Food Service Fund (a special revenue fund) is used to account for the proceeds of specific revenue sources related to food service. This fund's expenditures are legally restricted for specified purposes.
- The Student Activities Agency Fund (a fiduciary fund) is used to account for assets held by the District in an agent capacity for student body groups. This fund is custodial in nature (assets equal liabilities) and the fund does not measure the results of operations.

D. Cash and Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurer's Investment Fund (PTIF).

All investments are reported at fair value.

E. Receivables

District management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

F. Inventory

Inventory items in the School Food Service Fund, a special revenue fund type, are recorded as expenditures when consumed rather than when purchased. Federal commodity contributions are recorded as revenue when they are received. Non-federal commodity inventory is valued at cost, using the first-in/first-out (FIFO) method. Federal commodity inventory is valued at fair market value as determined by the United States Department of Agriculture. All other funds record inventory type items as expenditures at the time purchases are made.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

G. Fixed Assets

Fixed assets include land, buildings, improvements, infrastructure, furniture and equipment. Fixed assets are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$10,000. All fixed assets are valued at cost or estimated cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during construction is not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings, improvements and infrastructure	10 to 50
Equipment and furniture	5 to 15

H. Deferred Revenue

The District considers personal property taxes and fees-in-lieu of tax (motor vehicle fees, etc.) remitted from the County for January to June as taxes collected in advance of the year for which they are levied. The District follows the guidance issued in GASB statement No. 33 and recognizes the revenue in the period when the time requirement is met (i.e. period levied).

In accordance with GASB statement No. 33, the District has recorded a receivable for property taxes based on the lien date and deferred the revenue, which is budgeted for the next fiscal year.

I. Compensated Absences

Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

Full-time employees (those with 12-month contracts) earn vacation days ranging from 10 to 15 days per year depending upon length of service. Terminating employees are not paid for unused vacation. One half of the annual vacation earned may be carried forward to subsequent years. Employees on contract are entitled to 3 days personal leave per year. Three unused personal leave days may be carried forward to subsequent years.

Retiring employees may only be paid for a maximum of 150 days of unused sick leave at a rate per day set in accordance with negotiated personnel agreements. Terminating employees are not paid for unused sick leave. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

J. Post Employment Benefits

The District's employees who meet certain requirements can retire under an early retirement program. This program provides for stipends and health insurance coverage for the retiree for a maximum of four years or until the retiree becomes eligible to receive full social security benefits. Expenditures are recorded in the Maintenance and Operations Fund when paid. The amount of the known obligations is recorded as a liability in the government-wide financial statements in the statement of net assets. The District also participates in a life insurance death benefit program for eligible employees.

K. Long-term Obligations

In the government-wide financial statements, long-term debt and obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method when material.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

L. Fund Equity

In the fund financial statements, governmental funds report unreserved fund balance for amounts available for budgeting future operations. Designations of fund balance represent tentative management plans that are subject to change. Reservations of fund balance represent amounts for use that are legally restricted by outside parties or are amounts associated with assets that are not available for appropriation.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

M. Property Taxes

Property taxes are collected by the County Treasurer and subsequently remitted to the District. Real property taxes are assessed on the taxable value of property (as of January 1st) and such taxes are due and payable by November 30 of each year after which time they become delinquent.

It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, after which time, the County Treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

The County Treasurer collects personal property taxes and fees in lieu of tax and remits them to the District monthly. Personal property taxes and fees in lieu of tax collected in advance of the fiscal year for which they are appropriated (i.e. collections for January to June) are recorded as deferred revenue.

All funds except the Food Service Fund are permitted to assess taxes. Certain tax rates have limitations as outlined by Utah State law. The tax rates of the District are within the prescribed limitations.

The District's combined tax rate includes the following:

Maintenance and Operation Fund:

Minimum school program - The rate calculated by the State Tax Commission to support the basic educational program of the District based on the weighted pupil unit established by the State Legislature.

Voted leeway - A rate approved by the voters within the District to maintain school programs not supported by other funding.

Board approved leeway - An optional rate adopted by the school board to assist in the reduction of overall class size.

Special transportation - A rate to assist funding for student transportation for school activities and other related transportation costs not funded through state appropriation. State appropriated funds must be used for approved student transportation to and from school.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

Tort liability - A rate to assist in the payment of general liability claims, judgments, and insurance premiums.

Non K-12 Fund:

Recreation - A rate to provide support the District's share of operation and maintenance of recreational facilities and programs.

Debt Service Fund:

Debt service - A rate to provide required funds to pay the annual debt service principal and interest payments of the voter approved general obligation outstanding debt.

Capital Outlay Fund:

Capital outlays - A rate to be used to purchase, maintain, and repair capital facilities, grounds and equipment.

10% of basic - A rate limited by law to be used for debt service, the construction or remodeling of school buildings, or the purchase of school sites, buses, equipment, textbooks and supplies.

N. Operating Grants Restricted and Unrestricted

The District receives State and Federal Funds passed through the State Office of Education and direct Federal funding. Federal funds received as grants and State funds that are restricted by enabling legislation are presented as program revenues in the Statement of Activities. It is the District's policy to use restricted funds in compliance with specific award requirements and to provide instructional services.

Note 2 - Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted by the State of Utah Money Management Act that relate to the deposit and investment of public funds.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 2 - Deposits and Investments (continued)

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

A. Primary Government

At June 30, 2006, the District's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Governmental activities – Equity in pooled cash and investments:			
Demand deposits	\$ 92,441	-	92,441
Public Treasurer's Investment Pool	-	9,206,696	9,206,696
	\$ <u>92,441</u>	<u>9,206,696</u>	<u>9,299,137</u>
Fiduciary funds – Cash:			
Demand deposits	\$ 114,904	-	114,904
Fiduciary funds – Equity in pooled cash and investments:			
Public Treasurer's Investment Pool	-	177,229	177,229
	\$ <u>114,904</u>	<u>177,229</u>	<u>292,133</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$36,606 of the District's bank balances of \$751,613 were uninsured and uncollateralized and \$530,340 was uninsured but collateralized by securities held by the pledging financial institution.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 2 - Deposits and Investments (continued)

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investments transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionately in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. As of June 30, 2006, all investments held by the District are in the PTIF, which has a maturity of less than 1 year.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 2 - Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the State's Money Management Act as previously discussed. At June 30, 2006, all investments held by the District are in the PTIF which is unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk is to use the PTIF whenever possible.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for custodial risk is to use the PTIF whenever possible.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 2 - Deposits and Investments (continued)

B. Component Unit

At June 30, 2006, the Foundation's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Demand deposits	\$ 51,115	-	51,115
Money market mutual fund	-	8,966	8,966
Certificates of deposit	<u>116,607</u>	<u>-</u>	<u>116,607</u>
	<u>167,722</u>	<u>8,966</u>	<u>176,688</u>
Investments:			
Money market mutual fund	-	29,618	29,618
Certificates of deposit	80,543	-	80,543
Taxable bonds	-	4,057	4,057
Equities	<u>-</u>	<u>18,642</u>	<u>18,642</u>
	<u>80,543</u>	<u>52,317</u>	<u>132,860</u>
	\$ <u>248,265</u>	<u>61,283</u>	<u>309,548</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$164,680 of the Foundation's bank balances of \$245,223 was exposed to credit risk because it was uninsured.

Investments

The Foundation follows the applicable investing criteria described above for the primary government. As of June 30, 2006, all investments held by the Foundation have a maturity of less than 1 year.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's policy for managing its interest rate risk is the same as described above for the primary government except when gifts specify that funds be held in equities or bonds.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 2 - Deposits and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's policy for reducing exposure to investment credit rate risk is the same as described above for the primary government except when gifts specify that funds be held in equities or bonds. At June 30, 2006, all investments held by the Foundation in equities and bonds are unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's policy for reducing its risk of loss due to concentrations is the same as described above for the primary government except when gifts specify that funds be held in equities or bonds.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation's policy for custodial risk is to use the PTIF whenever possible except when gifts specify that funds be held in equities or bonds.

Note 3 - Receivables

The District's receivables consist primarily of: (1) amounts due from the State of Utah, (2) amounts due from the Cache County School District, and (3) property taxes receivable from the Cache County.

Property taxes receivable are summarized as follows:

Levied for current and prior years (delinquent)	\$ 228,169
Taxes receivable subject to accrual	237,978
Levied for future year	<u>10,553,764</u>
	\$ <u>11,019,911</u>

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 4 - Capital Assets

A summary of changes in capital assets follows:

	Balance 7/1/2005	Additions	Retirements	Transfers/ Adjustments	Balance 6/30/2005
Capital assets, not being depreciated:					
Land	\$ 3,246,875	-	-	-	3,246,875
Construction in process	<u>1,397,897</u>	<u>-</u>	<u>-</u>	<u>(1,397,897)</u>	<u>-</u>
	<u>4,644,772</u>	<u>-</u>	<u>-</u>	<u>(1,397,897)</u>	<u>3,246,875</u>
Capital assets, being depreciated:					
Buildings and improvements	69,476,416	716,811	-	1,397,897	71,591,124
Equipment	<u>1,137,895</u>	<u>82,417</u>	<u>(65,670)</u>	<u>-</u>	<u>1,154,642</u>
	<u>70,614,311</u>	<u>799,228</u>	<u>(65,670)</u>	<u>1,397,897</u>	<u>72,745,766</u>
Total capital assets	<u>72,259,083</u>	<u>799,228</u>	<u>(65,670)</u>	<u>-</u>	<u>75,992,641</u>
Accumulated depreciation for:					
Buildings and improvements	(21,205,512)	(2,086,647)	-	-	(23,292,159)
Equipment	<u>(827,664)</u>	<u>(66,261)</u>	<u>65,670</u>	<u>-</u>	<u>(828,255)</u>
	<u>(22,033,176)</u>	<u>(2,152,908)</u>	<u>-</u>	<u>-</u>	<u>(24,120,414)</u>
Total capital assets, net	\$ <u>53,225,907</u>	<u>1,353,680</u>	<u>-</u>	<u>-</u>	<u>51,872,227</u>

Depreciation expense was charged to functions of the District as follows:

Instruction	\$ 1,653,434
Supporting services:	
Students	36,599
Instructional staff	105,492
District administration	43,058
School administration	83,963
Central	8,612
Operation and maintenance of facilities	51,670
Non-instructional/community services	27,988
School food services	<u>142,092</u>
	\$ <u>2,152,908</u>

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 5 - Long-Term Obligations

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
Bonds payable:					
General obligation bonds	\$ 22,915,000	-	(1,245,000)	21,670,000	1,305,000
Bond issuance premiums	300,600	-	(21,471)	279,129	-
Deferred amounts on refunding	<u>(782,542)</u>	<u>-</u>	<u>78,254</u>	<u>(704,288)</u>	<u>-</u>
	22,433,058	-	(1,188,217)	21,244,841	1,305,000
Post-retirement benefits	<u>1,130,161</u>	<u>684,745</u>	<u>(405,518)</u>	<u>1,409,388</u>	<u>554,403</u>
Total governmental activity					
long-term liabilities	\$ <u>23,563,219</u>	<u>684,745</u>	<u>(1,593,735)</u>	<u>22,654,229</u>	<u>1,859,403</u>

Payments on the general obligation bonds are made by the debt service fund with property taxes. The early retirement benefits are typically paid by the fund in which the employee worked.

General Obligation Bonds

The District is current on all bond payments and is in compliance with the significant terms of the bond agreements.

Bond Issuance Premiums

Premiums received at the issuance of new bonds are being amortized over the life of related debt.

Deferred Amounts on Refunding

The 2004 Serial bonds reacquisition price of the defeasance transaction (assets placed in escrow) exceeded the net carrying amount of the old debt by \$860,796. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 5 - Long-Term Obligations (continued)

The annual cash requirements to amortize all general obligation bonds outstanding as of June 30, 2006 including interest payments were as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,305,000	850,543	2,155,543
2008	1,360,000	790,780	2,150,780
2009	1,430,000	725,805	2,155,805
2010	1,480,000	676,005	2,156,005
2011	1,530,000	624,355	2,154,355
2012-2016	8,540,000	2,229,060	10,769,060
2017-2020	<u>6,025,000</u>	<u>488,060</u>	<u>6,513,060</u>
	\$ <u>21,670,000</u>	<u>6,384,608</u>	<u>28,054,608</u>

General obligation school building bonds payable at June 30, 2006, with their outstanding balances are comprised of the following individual issues:

\$8,000,000 series 1998, serial bonds due in annual installments of \$650,000 to \$700,000 starting in 2006 through June 15, 2008; interest ranging from 4.65% to 5.25%

\$ 1,375,000

\$7,500,000 series 1999, serial bonds due in annual installments of \$480,000 to \$530,000 starting in 2006 through June 15, 2008; interest ranging from 4.65% to 5.25%.

1,590,000

\$9,105,000 series 2003, serial bonds due in annual installments of \$30,000 to \$2,095,000 starting in 2004 through June 15, 2019; interest ranging from 2.00% to 4.00%

6,820,000

\$12,050,000 series 2004, serial bonds due in annual installments of \$80,000 to \$1,700,000 starting in 2005 through June 15, 2017; interest ranging from 2.50% to 4.00%

11,885,000

\$ 21,670,000

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 5 - Long-Term Obligations (continued)

Post-employment benefits

The annual requirements to pay post-retirement benefits are estimated as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2006	\$ 554,404
2007	418,277
2008	278,481
2009	<u>158,226</u>
	\$ <u>1,409,388</u>

Defeased debt

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2006 the amount of defeased debt outstanding but removed from the District's financial statements amounted to \$11,405,000.

Note 6 - Deferred Revenue

Deferred revenues in the Statement of Net Assets have been recorded for the following transactions where the revenue recognition criteria have not been met.

	<u>Collected</u> <u>In Advance</u>	<u>Estimated</u> <u>Future taxes</u>	<u>Total</u>
Property taxes and fees in lieu:			
General (M&O) Fund	\$ 997,910	4,710,470	5,708,380
Special Revenue Funds:			
Non K-12 Programs Fund	136,218	642,993	779,211
Debt Service Fund	425,489	2,008,452	2,433,941
Capital Projects Fund	<u>676,191</u>	<u>3,191,849</u>	<u>3,868,040</u>
	\$ <u>2,235,808</u>	<u>10,553,764</u>	<u>12,789,572</u>

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 6 - Deferred Revenue (continued)

Additional deferred revenue of \$228,169 is recorded in the Balance Sheet of the Governmental Funds for delinquent taxes that are receivable but not available under the current financial resources measurement focus.

Note 7 - Fund Balance

Restrictions

Restrictions in the Statement of Net Assets are imposed by parties outside the District. These restrictions are for legal debt service requirements and federal funds carried over for specific programs.

Reservations

Reservations of fund balances on the Governmental Funds Balance Sheet are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance appropriable for future expenditures only for specific purposes. Specific reservations of the fund balance accounts are summarized below.

Reserved for debt service – The reserve for debt service was created to segregate a portion of the fund balance account for debt service, including both principal and interest payments.

Reserved for inventory – The reserve for inventory was created to represent the portion of the fund balance that is not available for expenditures because the District maintains an inventory of food supplies.

Reserved for program expenditures – The reserve for program expenditures represents unexpended carryover funds for specific programs and was created to restrict the use of resources for those programs in the following year.

Designations

Designated for death benefit insurance – The designation for death benefit insurance was created to segregate a portion of the Maintenance and Operation Fund (M&O) to meet potential future obligations.

Designation for undistributed reserve - State statute 53A-19-103 allows school districts to have an undistributed M&O reserve not to exceed five percent of the total M&O budget by a written resolution adopted by a majority vote of the Board. According to law, the Board may not use undistributed reserves in negotiations or settlement of contract salaries for school district employees. The District has \$800,000 in the undistributed reserve.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 7 - Fund Balance (continued)

Designations for programs and site purchase – These designations of fund balance represent tentative plans for future uses of financial resources. At June 30, 2006, the board and management had designated funds for programs lacking dedicated funding sources and future school site purchases.

Note 8 - Operating Lease and Service Agreement

The District has entered into an operating lease and service agreement with Xerox Corporation (Xerox) for copier services within the District. The District has access to copiers provided by Xerox and pays lease amounts calculated on a base fee plus cost per copy basis.

Note 9 - Retirement Plans

Defined Benefit Plans

The District contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System which are multiple employer, cost sharing defined benefit pension plans administered by the Utah Retirement Systems. All District employees hired to a position expected to last at least 9 months and who work 20 or more hours per week are eligible to participate in the pension plans. Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Board issues a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and

Local Governmental Noncontributory Retirement System. A copy of this report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102, or by calling 1-800-365-8772.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 9 - Retirement Plans (continued)

During fiscal year 2006, plan members in the Local Governmental Contributory Retirement System were required to contribute 6% of their annual covered salary (of which 5.0% was paid by the District for the employee) and the District was required to contribute 8.89%, of their annual covered salary. In the Local Governmental Noncontributory Retirement System the District was required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Utah Retirement Systems are authorized by statute and specified by the State Retirement Board.

Contributions to the Local Governmental Contributory and Noncontributory Retirement Systems for the years ending June 30, 2006, 2005 and 2004 were as follows:

A. Local Governmental System - Contributory

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Salary subject to retirement contributions	\$ 336,704	325,974	377,958
Employee paid contributions	3,367	3,260	3,780
Employer paid for employee contributions	16,836	16,300	18,899
Employer contributions	29,933	28,979	27,251

B. Local Governmental System - Noncontributory

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Salary subject to retirement contributions	\$ 16,279,387	16,281,399	15,826,413
Employer contributions	2,178,180	2,178,452	1,851,692

All contributions by the District were paid by the due dates or within 30 days thereafter and were equal to the required contributions for each year.

The Board of the Utah Retirement Systems provides the District with the necessary retirement disclosures for their report. The Retirement Systems have implemented the accounting and reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers".

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 9 - Retirement Plans (continued)

Defined Contribution Plans

The District also participates in two defined contribution plans under section 401(k) of the Internal Revenue Code to supplement retirement benefits earned by participants in the State Systems. Employees may elect to participate in either the plan administered by the Utah Retirement Systems or the plan administered by Utah Interlocal Educational Benefits Trust. Employees have a contribution of 1.5% of their covered salaries automatically made for them by the District. Under the plans, eligible employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. Contributions of \$774,793 were made to the 401(k) plans during the year ended June 30, 2006. Of this amount, employees contributed \$500,456 and the District contributed \$274,337 on behalf of the employees. The 401(k) plan funds are fully vested to the participants at the time of deposit.

The District maintains four qualified plans under section 403(b) of the Internal Revenue Code. Employees may elect to participate in any of these plans and contribute a portion of their salary, subject to Internal Revenue Service limits. The District does not make contributions on behalf of employees to these plans. The District's involvement is limited to withholding the amounts elected by employees and remitting those amounts to the respective approved plan trustees.

Deferred Compensation Plans

The District offers employees voluntary participation in two deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans are available to all employees and permit them to defer a portion of their salary until future years. The District's involvement is limited to withholding the amounts elected by employees and remitting those amounts to the respective approved plan trustees.

Note 10 - Post Employment Benefits

In addition to the pension benefits and deferred compensation benefits described in Note 10, the District also provides early retirement, post employment benefits, and death benefit life insurance in accordance with negotiated agreements. Early retirement benefits are for a maximum of four years or until the retiree becomes eligible to receive full social security benefits. At year-end, there are twenty nine retirees who are receiving benefits. The District finances the plan on a pay-as-you-go basis.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 10 - Post Employment Benefits (continued)

Expenditures for post employment are recognized in the year paid. During the year, approximately \$405,500 was paid for post employment benefits. A non-current liability of \$1,409,388 is shown on the government-wide financial statements for total post employment benefits expected to be paid as of June 30, 2006.

Expenditures for death benefits are recognized in the year paid. During the year, the District incurred no costs for death benefit life insurance and no liability has been accrued.

Note 11 - Public Entity Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, and natural disasters. The District participates in the Utah State Risk Management Insurance Fund, a public entity risk pool managed by an agency of the state government. The District pays an annual premium to a trust set up for the forty school districts in the State which participate in the risk pool for general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2006 there were no outstanding unpaid claims. For the past three years, the District has had no claim settlements that exceeded its insurance coverage.

Note 12 - Related Parties

The District conducted business with certain related parties during the year. Related party expenditures were approximately \$17,900. Related party transactions are subject to the District's normal purchasing policies and procedures.

LOGAN CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

LOGAN CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL (MAINTENANCE & OPERATION) FUND
Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Local sources:				
Taxes	\$ 5,299,696	5,276,229	5,285,299	9,070
Tuition	70,000	75,000	75,150	150
Earnings on investments	205,000	275,000	415,579	140,579
Local government units	200,000	315,000	478,693	163,693
Other local revenue	295,000	175,000	136,007	(38,993)
State grants-in-aid	19,746,440	19,856,075	19,871,038	14,963
Federal sources	<u>3,311,732</u>	<u>3,986,995</u>	<u>3,890,652</u>	<u>(96,343)</u>
Total revenues	<u>29,127,868</u>	<u>29,959,299</u>	<u>30,152,418</u>	<u>193,119</u>
Expenditures:				
Instruction	21,764,067	22,445,840	22,249,453	196,387
Support services:				
Students	612,214	555,958	549,554	6,404
Instructional staff	1,199,333	1,196,298	1,197,041	(743)
District administration	335,322	359,660	330,602	29,058
School administration	1,676,888	1,687,745	1,679,306	8,439
Central	277,657	286,412	289,967	(3,555)
Operation and maintenance of facilities	2,396,872	2,603,303	2,478,706	124,597
Student transportation	<u>865,515</u>	<u>981,484</u>	<u>996,233</u>	<u>(14,749)</u>
Total expenditures	<u>29,127,868</u>	<u>30,116,700</u>	<u>29,770,862</u>	<u>345,838</u>
Net change in fund balances	<u>-</u>	<u>(157,401)</u>	381,556	<u>538,957</u>
Fund balance at beginning of year			<u>3,335,838</u>	
Fund balance at end of year	\$		<u>3,717,394</u>	

LOGAN CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006

Note 1 - Budgetary Basis of Accounting

A Budgetary Comparison Schedule is presented for the General Fund and each major special revenue fund as required by generally accepted accounting principles (GAAP). Budgets for the governmental funds are adopted on a GAAP basis. Budgets are not adopted at the District level for the Logan City School District Foundation or the Student Activities Agency Fund. Expenditures may not legally exceed budgeted appropriations at the fund level. Appropriations lapse at fiscal year end.

Note 2 - Budgeted Increases and Decreases

Each fund has a balanced budget. Any excess of revenues over expenditures in the budget columns in the Required Supplementary Information schedule represents budgeted increases to fund balance approved by the District's Board of Education. Any deficiency of revenues over expenditures in the budget columns on Required Supplementary Information schedules represents fund balance appropriated by the District's Board of Education.

Note 3 - Budget Adoption and Monitoring

The District's procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedule are as follows:

The Superintendent and Business Administrator submit to the Board of Education during June of each year a tentative operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Included also is a final amended budget for the current year ending June 30th.

Prior to June 22, the Board of Education holds a public hearing at which time taxpayers' comments are heard. At the conclusion of the budget hearing, the budget as amended, is legally enacted by Board action. However, if property tax revenue budgeted exceeds the certified tax rate as established by the State Tax Commission, the District can only adopt a tentative budget for those funds that contain property tax increases. The District is then required to hold a public hearing to comply with "Truth in Taxation" State law. The District publishes a prescribed advertisement in the local newspaper stating the amount and percentage of the proposed tax change above the certified rate. The District then holds a public hearing before August 17th. After the public hearing, the Board of Education then adopts the final tax rates and authorizes the corresponding budget. The budget is then approved reflecting the tax rates adopted and other approved changes from the tentative budget.

Budget appropriations may only be changed by action of the Board of Education. If an increase in budget appropriations at the fund level is proposed, the procedures used when enacting the original budget including a properly advertised public hearing are followed.

LOGAN CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006

Note 4 - Expenditures and Appropriations

Section 53A-19-106 of the Utah Code requires that "the business administrator of a local school board may not draw warrants on school district funds except in accordance with and within the limits of the budget passed by the local school board." During fiscal year 2006, expenditures in the Non K-12 Programs Fund exceeded the authorized budget by \$13,670.

LOGAN CITY SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION

LOGAN CITY SCHOOL DISTRICT
MAJOR DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - (Budget and Actual)
Year Ended June 30, 2006
(With Comparative Totals for 2005)

	<u>2006</u>			<u>2005</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenue:				
Local sources:				
Taxes	\$ <u>2,204,968</u>	<u>2,208,758</u>	<u>3,790</u>	<u>2,125,956</u>
Total revenues	<u>2,204,968</u>	<u>2,208,758</u>	<u>3,790</u>	<u>2,125,956</u>
Expenditures:				
Bond principle	1,245,000	1,245,000	-	1,220,000
Bond interest	911,193	911,393	(200)	938,693
Fees	<u>50,000</u>	<u>6,100</u>	<u>43,900</u>	<u>3,184</u>
Total expenditures	<u>2,206,193</u>	<u>2,162,493</u>	<u>43,700</u>	<u>2,161,877</u>
Net change in fund balances	\$ <u><u>(1,225)</u></u>	<u>46,265</u>	<u><u>47,490</u></u>	<u>(35,921)</u>
Fund balance at beginning of year		<u>146,772</u>		<u>182,693</u>
Fund balance at end of year	\$	<u><u>193,037</u></u>		<u><u>146,772</u></u>

LOGAN CITY SCHOOL DISTRICT
MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - (Budget and Actual)
Year Ended June 30, 2006
(With Comparative Totals for 2005)

	<u>2006</u>			<u>2005</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenue:				
Local sources:				
Taxes	\$ 3,400,830	3,406,676	5,846	3,210,937
Other local revenue	<u>50,000</u>	<u>52,968</u>	<u>2,968</u>	<u>229,528</u>
Total revenues	<u>3,450,830</u>	<u>3,459,644</u>	<u>8,814</u>	<u>3,440,465</u>
Expenditures:				
Operation and maintenance of facilities	313,874	313,844	30	225,842
Instruction - 10% of Basic	1,100,000	1,032,512	67,488	1,136,568
Acquisition, construction and maintenance	<u>2,482,676</u>	<u>1,913,848</u>	<u>568,828</u>	<u>5,146,790</u>
Total expenditures	<u>3,896,550</u>	<u>3,260,204</u>	<u>636,346</u>	<u>6,509,200</u>
Net change in fund balances	\$ <u><u>(445,720)</u></u>	199,440	<u><u>645,160</u></u>	(3,068,735)
Fund balance at beginning of year		<u>1,469,010</u>		<u>4,537,745</u>
Fund balance at end of year	\$	<u><u>1,668,450</u></u>		<u><u>1,469,010</u></u>

LOGAN CITY SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2006

	<u>Special Revenue</u>		<u>Total</u>
	<u>Non</u>	<u>School</u>	<u>Nonmajor</u>
	<u>K-12</u>	<u>Food</u>	<u>Governmental</u>
		<u>Service</u>	<u>Funds</u>
<u>Assets</u>			
Equity in pooled cash and investments	\$ 755,238	321,929	1,077,167
Receivables:			
Property taxes	670,421	-	670,421
Intergovernmental	12,500	98,377	110,877
Inventory	-	95,892	95,892
Total assets	<u>\$ 1,438,159</u>	<u>516,198</u>	<u>1,954,357</u>
<u>Liabilities and Fund Balance</u>			
Accounts payable	\$ 29,350	55,158	84,508
Deferred revenue	793,113	-	793,113
Total liabilities	<u>822,463</u>	<u>55,158</u>	<u>877,621</u>
Fund balance:			
Reserved for inventory	-	95,892	95,892
Reserved for program expenditures	147,206	-	147,206
Unreserved:			
Designated	408,205	-	408,205
Undesignated	60,285	365,148	425,433
Total fund balance	<u>615,696</u>	<u>461,040</u>	<u>1,076,736</u>
Total liabilities and fund balance	<u>\$ 1,438,159</u>	<u>516,198</u>	<u>1,954,357</u>

LOGAN CITY SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2006

	<u>Special Revenue</u>		<u>Total</u>
	<u>Non</u>	<u>School</u>	<u>Nonmajor</u>
	<u>K-12</u>	<u>Food</u>	<u>Governmental</u>
		<u>Service</u>	<u>Funds</u>
Revenues:			
Local revenues:			
Property taxes	\$ 581,665	-	581,665
Student fees	64,943	-	64,943
Food service sales	-	640,966	640,966
Other local revenue	-	41,795	41,795
State revenues	340,888	253,552	594,440
Federal revenues	62,028	1,217,809	1,279,837
	<u>1,049,524</u>	<u>2,154,122</u>	<u>3,203,646</u>
Total revenues			
Expenditures:			
Support services:			
Non-instructional/community services	1,202,434	-	1,202,434
Non-educational services:			
Food services	-	2,172,041	2,172,041
	<u>1,202,434</u>	<u>2,172,041</u>	<u>3,374,475</u>
Total expenditures			
Net change in fund balances	(152,910)	(17,919)	(170,829)
Fund balance at beginning of year	768,606	478,959	1,247,565
Fund balance at end of year	\$ <u>615,696</u>	<u>461,040</u>	<u>1,076,736</u>

LOGAN CITY SCHOOL DISTRICT
NON K-12 PROGRAMS
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - (Budget and Actual)
Year Ended June 30, 2006
(With Comparative Totals for 2005)

	<u>2006</u>		<u>2005</u>
	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
			<u>Actual Amounts</u>
Revenues:			
Local revenues:			
Taxes	\$ 580,667	581,665	998
Tuition	50,000	64,943	14,943
State revenues	340,533	340,888	355
Federal revenues	62,028	62,028	-
	<u>1,033,228</u>	<u>1,049,524</u>	<u>16,296</u>
Total revenues			<u>967,745</u>
Expenditures:			
Support services:			
Non-instructional/community services:			
Salaries	550,545	600,052	(49,507)
Employee benefits	159,550	159,466	84
Purchased services	350,269	322,390	27,879
Other	128,400	120,526	7,874
	<u>1,188,764</u>	<u>1,202,434</u>	<u>(13,670)</u>
Total expenditures			<u>1,049,183</u>
Net change in fund balances	<u>(155,536)</u>	<u>(152,910)</u>	<u>2,626</u>
Other financing sources:			
Transfers in	-	-	-
	<u>-</u>	<u>-</u>	<u>156,348</u>
Total other financing sources			<u>156,348</u>
Net change in fund balances	\$ <u>(155,536)</u>	<u>(152,910)</u>	<u>2,626</u>
Fund balance at beginning of year		<u>768,606</u>	<u>693,696</u>
Fund balance at end of year	\$	<u>615,696</u>	<u>768,606</u>

LOGAN CITY SCHOOL DISTRICT
SCHOOL FOOD SERVICE FUND
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - (Budget and Actual)
Year Ended June 30, 2006
(With Comparative Totals for 2005)

	<u>2006</u>		<u>Variance</u>	<u>2005</u>
	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>	<u>Actual</u>
	<u>Budget</u>		<u>(Unfavorable)</u>	
Revenues:				
Local revenues:				
Food service sales	\$ 680,000	640,966	(39,034)	649,752
Other local revenue	35,000	41,795	6,795	25,549
State revenues:				
Restricted grants-in-aid	250,000	253,552	3,552	230,990
Federal revenues	1,125,000	1,217,809	92,809	1,190,134
Total revenues	<u>2,090,000</u>	<u>2,154,122</u>	<u>64,122</u>	<u>2,096,425</u>
Expenditures:				
Non-educational services:				
Food services:				
Salaries	822,847	787,352	35,495	753,783
Employee benefits	272,965	263,451	9,514	252,926
Food	1,030,000	1,023,689	6,311	1,025,173
Supplies, repairs and other	148,300	97,549	50,751	128,491
Total expenditures	<u>2,274,112</u>	<u>2,172,041</u>	<u>102,071</u>	<u>2,160,373</u>
Net change in fund balances	\$ <u>(184,112)</u>	(17,919)	<u>166,193</u>	(63,948)
Fund balance at beginning of year		<u>478,959</u>		<u>542,907</u>
Fund balance at end of year	\$	<u>461,040</u>		<u>478,959</u>

LOGAN CITY SCHOOL DISTRICT
STUDENT ACTIVITIES AGENCY FUND
COMBINING BALANCE SHEET
June 30, 2006

	<u>High School</u>	<u>Middle School</u>	<u>Total</u>
Assets:			
Cash	\$ 64,232	50,672	114,904
Equity in pooled cash and investments	<u>125,000</u>	<u>52,229</u>	<u>177,229</u>
Total assets	<u>\$ 189,232</u>	<u>102,901</u>	<u>292,133</u>
Liabilities:			
Unallocated student funds	\$ 59,898	67,340	127,238
Due to student groups	<u>129,334</u>	<u>35,561</u>	<u>164,895</u>
Total liabilities	<u>\$ 189,232</u>	<u>102,901</u>	<u>292,133</u>

LOGAN CITY SCHOOL DISTRICT
STUDENT ACTIVITIES AGENCY FUND
COMBINED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2006

	<u>Balance</u> <u>7/1/2005</u>	<u>Additions</u>	<u>Deductions &</u> <u>Eliminations</u>	<u>Balance</u> <u>6/30/2006</u>
Total - All Agency Funds				
Assets:				
Cash	\$ 76,125	1,089,939	(1,051,160)	114,904
Equity in pooled cash and investments	<u>207,500</u>	<u>-</u>	<u>(30,271)</u>	<u>177,229</u>
Total assets	<u>\$ 283,625</u>	<u>1,089,939</u>	<u>(1,081,431)</u>	<u>292,133</u>
Liabilities:				
Unallocated student funds	\$ 145,850	83,844	(102,456)	127,238
Due to student groups	<u>137,775</u>	<u>1,006,095</u>	<u>(978,975)</u>	<u>164,895</u>
Total liabilities	<u>\$ 283,625</u>	<u>1,089,939</u>	<u>(1,081,431)</u>	<u>292,133</u>

LOGAN CITY SCHOOL DISTRICT
SCHEDULE OF CAPITAL ASSETS
June 30, 2006

	<u>Land</u>	<u>Construction in Process</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Adams	\$ 219,172	-	4,117,772	-	4,336,944
Bridger	236,400	-	8,052,054	-	8,288,454
Ellis	234,227	-	2,459,375	-	2,693,602
Hillcrest	69,892	-	2,291,800	-	2,361,692
Riverside	65,207	-	539,478	-	604,685
Wilson	351,158	-	6,907,136	-	7,258,294
Woodruff	144,028	-	5,405,982	-	5,550,010
Mt. Logan	261,853	-	12,181,530	121,554	12,564,937
Logan High	1,206,906	-	26,228,680	25,960	27,461,546
North Campus	3,000	-	185,385	-	188,385
South Campus	87,639	-	1,450,060	-	1,537,699
District Office	367,393	-	1,771,873	1,007,127	3,146,393
Totals	\$ <u>3,246,875</u>	<u>-</u>	<u>71,591,125</u>	<u>1,154,641</u>	<u>75,992,641</u>

LOGAN CITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN CAPITAL ASSETS
Year Ended June 30, 2006

	<u>Balance</u> <u>7/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u> <u>and</u> <u>Adjustments</u>	<u>Balance</u> <u>6/30/2006</u>
Adams	\$ 4,304,903	32,041	-	-	4,336,944
Bridger	8,094,766	193,688	-	-	8,288,454
Ellis	2,607,028	86,574	-	-	2,693,602
Hillcrest	2,361,692	-	-	-	2,361,692
Riverside	604,685	-	-	-	604,685
Wilson	7,258,294	-	-	-	7,258,294
Woodruff	5,550,010	-	-	-	5,550,010
Mt. Logan	12,554,103	10,834	-	-	12,564,937
Logan High	27,057,037	404,509	-	-	27,461,546
North Campus	188,385	-	-	-	188,385
South Campus	1,537,699	-	-	-	1,537,699
District Office	3,140,481	71,582	(65,670)	-	3,146,393
Totals	\$ <u>75,259,083</u>	<u>799,228</u>	<u>(65,670)</u>	<u>-</u>	<u>75,992,641</u>

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LOGAN CITY SCHOOL DISTRICT
SINGLE AUDIT REPORTS

June 30, 2006

LOGAN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA No.	Pass-through Number	District's Program Number	Expenditures
U.S. Department of Agriculture (DOA)				
Passed through State Office of Education:				
Food Distribution (Commodities)	10.550		N/A	\$ 170,436
School Breakfast Program	10.553	44-2501-01	N/A	173,717
National School Lunch Program	10.555	42-2501-01	N/A	139,486
School Lunch Special Assistance	10.555	43-2501-01	N/A	725,291
Special Milk Program For Children	10.556	41-2501-01	N/A	431
				<u>1,209,361</u>
Total DOA				
U.S. Dept of Education (DOE)				
Direct Programs:				
Federal Mentoring Grant	84.184		7400	98,644
Fund for the Improvement of Education - Earmark	84.215		7390	177,181
Fund for the Improvement of Education - History	84.215		7320	323,227
Passed Through State Office of Education:				
Title 1A - Improving Academic Achievement	84.010	08-0521-8C	7511	842,412
Special Education	84.027	19-0521-8C	1205	1,248,050
Applied Technology Education	84.048	21-1221-21	6965	103,270
Special Education - Preschool Grants	84.173	52-0521-8C	1206	62,028
Title 4A - Drug Free	84.186	09-0662-82	7515	30,105
Title 3A - English Language Acquisition	84.194	57-0521-8C	7608	38,808
Education for Homeless Children Grant	84.196	28-0521-8B	7610	20,000
Twenty First Century Community Learning Centers Program	84.287	60-0662-82	7360	490,130
Title 5A - Innovative Programs	84.298	91-0331-8A	7626	16,797
Title 2D - Education Technology	84.318	07-0331-8A	7505	17,865
Title 2A - Improving Teacher Quality	84.367	74-0331-8C	7500	313,952
				<u>3,782,469</u>
Total DOE				
U.S. Dept of Health and Human Services (HHS)				
Passed through Granite School District:				
Title 2D - Education Technology	84.318		5825	98,318
				<u>98,318</u>
Total HHS				
Corporation of National and Community Service (CNCS)				
Passed through Ogden City School District:				
Americorps	94.006		7602	44,630
				<u>44,630</u>
Total CNCS				
Total				\$ <u>5,134,778</u>

LOGAN CITY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Note 1 – Purpose of the Schedule

The Schedule of Expenditures of Federal Awards (the Schedule) is a supplemental schedule to the basic financial statements. The Schedule is required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 – Significant Account Policies

Basis of Accounting

The information in the Schedule is presented in accordance with OMB Circular A-133. The Schedule is prepared using the same accounting policies and basis of accounting as the basic financial statements.

CFDA Numbers

OMB Circular A-133 requires the Schedule to show the total expenditures for each of the entity's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

Major Programs

OMB Circular A-133 establishes a risk-based approach to be used in defining major federal financial programs. Major programs are identified in the schedule of findings and questioned costs.

Commodities

Federal commodity contributions are recorded as revenues. Expenditures are recorded when inventory is consumed. The fair market value of inventory received is included in the schedule of federal awards as Food Distribution.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Board of Education
Logan City School District
Logan, UT

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Logan City School District (the District) as of and for the year ended June 30, 2006 which collectively comprise the District's basic financial statements and have issued our report thereon dated November 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District, in a separate letter dated November 7, 2006.

This report is intended for the information of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.

November 7, 2006



**JONES
SIMKINS**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Logan City School District
Logan, UT

Compliance

We have audited the compliance of the Logan City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion of the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.
November 7, 2006

LOGAN CITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

A. Summary of Auditors' Results:

1.	Type of Report issued	Unqualified
2.	Reportable Conditions in Internal Control	None
3.	Material Non-compliance discovered	None
4.	Reportable Conditions in Internal Control Over Major Programs	None
5.	Compliance Report Issued	Unqualified
6.	Reportable findings under A-133	None
7.	Federal programs tested as major programs	Title 2A - Improving Academic Achievement CFDA # 84.367 Special Education Cluster CFDA # 84.027 CFDA # 84.173 Funds for the Improvement Of Education CFDA # 84.215
8.	Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
9.	Auditee qualification as High or Low risk	Low

B. Findings related to the financial statements required to be reported in accordance with Government Auditing Standards.

None

C. Findings and Questioned Costs for Federal Awards

None

LOGAN CITY SCHOOL DISTRICT
Corrective Action Plan
(Client Submitted Document)
Year Ended June 30, 2006

There were no findings for the year ended June 30, 2006.

LOGAN CITY SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
(Client Submitted Document)
Year Ended June 30, 2006

There were no findings for the year ended June 30, 2005.

LOGAN CITY SCHOOL DISTRICT
STATE COMPLIANCE REPORT

June 30, 2006



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LEGAL COMPLIANCE REQUIREMENTS

To the Board of Education
Logan City School District
Logan, UT

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Logan City School District (the District) for the year ended June 30, 2006 and have issued our report thereon dated November 7, 2006. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or not allowed; eligibility; matching; level of effort or earmarking; reporting; and special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The District received the following major state assistance programs from the State of Utah:

Minimum School Program Funding
School Lunch

The District also received the following nonmajor grants that are not required to be audited for specific compliance requirements. However, this program was subject to testwork as part of the audit of the District's financial statements.

Driver Education

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Public Debt
Cash Management
Purchasing Requirements

Budgetary Compliance
Property Tax Limitations
Other General Compliance Issues
Fall Enrollment and Student Membership

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion the District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or not allowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2006.



JONES SIMKINS, P.C.
November 7, 2006



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To the Logan City Board of Education
Logan City School District
Logan, Utah 84321

We have audited the financial statements of the Logan City School District (the District) for the year ended June 30, 2006, and have issued our report thereon dated November 7, 2006.

Communications Required Under Professional Standards

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards, Government Auditing Standards and OMB Circular A-133.

As stated in our engagement letter dated June 23, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the District. Such considerations were solely for the purpose of determining our audit procedures and to report on the internal control structure in accordance with *Government Auditing Standards* and OMB Circular A-133 and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with specific requirements applicable to major federal financial assistance programs for the purposes of expressing an opinion on the District's compliance with those requirements.

Significant Accounting Policies and Audit Adjustments

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

For the purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We assisted the District in recording year-end adjusting entries.

Internal Control Structure

In planning and performing our audit of the financial statements of the District for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

Also, in connection with our audit we tested compliance with laws, regulations, grants and binding policies and procedures in order to obtain a reasonable assurance about whether the financial statements are free of material misstatement. We noted no compliance matters that are required to be reported under *Government Auditing Standards* or OMB Circular A-133.

During our audit, we noted the following conditions that although not considered by us to be material weaknesses, are either weaknesses in internal accounting control for which corrective action might be taken, immaterial instances of noncompliance or other areas where operational efficiency might be improved.

Recommendations to the Business Administrator

1. The implementation of GASB Statement No. 40 "Deposit and Investment Risk Disclosures" requires the disclosure of certain District policies for handling and managing deposits and investments. We recommend the business policies and procedures handbook be reviewed to ensure compliance with these requirements.

Management Response:

The Business Administrator will review the business policies and procedures handbook and propose any necessary changes to the Board for adoption.

2. The Business Administrator has made us aware of a few purchase transactions between the District and members of management, the board or their immediate families. We suggest the District's purchasing policies and procedures be reviewed to ensure these types of transactions are addressed.

Management Response:

The Business Administrator will review the policies and procedures and propose any necessary changes to the Board for adoption.

3. The District needs to determine its early retirement benefits and associated post employment benefits should be accounted for in accordance with GASB Statement No. 45 "Accounting and Reporting by Employers for Post-employment Benefits Other than Pensions" or GASB Statement No. 47 "Accounting for Termination Benefits." The District's accounting for these benefits could change depending on which standard is applicable.

Management Response:

The Business Administrator will work with the Superintendent and the Board to make a final determination as to the nature of this benefit. The Business Administrator will then consult with the Independent Auditor to make sure this benefit is properly accounted for in accordance with the requirements of the Governmental Accounting Standards Board.

4. During our tests of selected federal programs, we noted instances where the program director's authorization was not documented for expenditures. We also noted that different equipment was purchased than that specified in a budget document. The program director indicated that authorization was given for the expenditures in question and verbal permission was given by the awarding agency to purchase the substitute equipment. We recommend all authorizations for purchases and changes made to budgeted line items be evidenced by written documentation.

Management Response:

The Business Administrator and the new Superintendent are in the process of reviewing budgeting and proper documentation requirements for federal programs with program directors.

5. New Regulations

The current accounting and auditing environment is prone to issuing new regulations and rules. During 2006, the Auditing Standards Board issued 10 new auditing standards. Two of the standards will be effective for next fiscal year (fiscal year ending June 30, 2007) and the other standards are effective the following fiscal year. Some of these new standards require the auditor to consider management's analysis of risks and implementation of controls to address those risks. We recommend that management evaluate the effect of these standards on their policies and procedures in order to be prepared for future financial statement audits.

Management Response:

The Business Administrator will meet with the independent auditors to review these requirements and make recommendations as to any policy or procedures changes needing board approval prior to the required implementation.

Recommendation to Logan High School

6. The State Board of education requires a log to be maintained with regards to student transfers showing the following information:
- a) The name of the student,
 - b) The name of the person and the name and address of the school making the request,
 - c) The date the request was made and
 - d) Documentation confirming re-enrollment of the student in another school when parents request the student's records.

The District staff needs to review the information being recorded on the school log and make sure it conforms to the State Board of Education's requirements.

Management Response:

The district administration will review the documentation requirements and make sure Logan High School conforms to The State Board of Education's documentation requirements.

We have appreciated the cooperation, open communication and assistance from District personnel during our audit. Their help was very beneficial in the completion of this year's audit.

If questions arise concerning the above recommendations, please contact us and we will be pleased to discuss them with you. This report is intended solely for the use of the Logan City Board of Education and Administration and should not be used for any other purposes.

A handwritten signature in cursive script, reading "Jones Simkins, P.C.", written in black ink.

JONES SIMKINS, P.C.
November 7, 2006